Spotlight

ON FOREIGN MARKETING

TO U.S. AGRICULTURAL ATTACHÉS AND FAS STAFF MEMBERS

Vol. 1, No. 2 December 14, 1956

The recent 34th ANNUAL OUTLOOK CONFERENCE reflected the current world situation regarding future prospects for U. S. agriculture. Acting Administrator, Clayton E. Whipple, voiced optimism in his statement on agricultural exports, but warned against any laxity in efforts to build lasting markets for our farm products.

"In general," he said, "the exports of American farm products are moving in good volume today. But we do need to recognize that government programs have become a crutch in holding them up. This past fiscal year, about 60 percent of our agricultural exports moved as dollar sales under commercial transactions; about 40 percent moved with the assistance of government programs.

"Over the long haul, it is not a healthy thing to have 40 percent of our agricultural exports looking to government for assistance. Our objective - and this is important - must continue to be to get a maximum amount of farm products moving in world trade on a straight commercial basis. Government programs play a valuable role, but we hope that they need only be used as emergency measures during this current period of agricultural adjustment."

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Despite tensions in Europe and the Middle East, agricultural exports are expected to rise during 1956-57. Last year the volume exported was the highest in 29 years. Prior to the present emergency, the export volume for 1956-57 was expected to be up about 25 percent above last year which would bring the level far above any export year in U. S. history. Although it is too early to evaluate the effect of today's tensions, it is expected that our volume of agricultural exports this year will continue at record levels with a possibility that the value may also exceed the $4.1 billion record established in 1951-52.

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Export shipments were temporarily disrupted by the East Coast longshoremen's strike. Now with the strike postponed until mid-March, shipments have been stepped up to a high level. With this greater export activity, market prices have been rising.

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The Attache's staff in West Germany obtained the issuance of licenses in West Germany for the importation of U.S. onions. The U.S. onion market was very low and was quoted at 80 to 90 cents for a 50 pound sack f.o.b. shipping

point. This announcement, along with the dry weather in the Lower Rio Grande Valley of Texas, assisted in the modest price advance to $1.00 and $1.15 per sack, respectively. This is an example of the importance of developing even a small export outlet for some of our sensitive commodities.

DAIRY: A milk recombining plant will soon be built in Naples, Italy, to supply the U.S. naval installation there. The plant will manufacture whole milk, buttermilk, chocolate milk, cream, cottage cheese and ice cream. The Navy claimed that existing supplies of dairy products were not only inadequate but too distant for satisfactory daily deliveries. The present milk supply comes from Austria and the transportation costs are greater than the milk itself. An additional factor for building a plant is to have adequate supplies of all dairy products when the fleet is in port. Dr. Louis H. Burgwald, FAS Dairy Specialist, made recommendations to the Navy on a recent trip to Italy.

A program to assist in the establishment of a commercial milk recombining plant in Thailand was launched last month. By agreement with the Department, Foremost Dairies and its affiliate, International Dairy Engineering Company of San Francisco, is assured a supply of U.S. produced butterfat and nonfat dry milk over a three-year period for the plant in Bangkok. In addition, FAS is furnishing $100,000 of PL 480, Section 104(a) Thai currency for market development to Dairy Industries Society International (now known as Dairy Society International) to conduct an educational campaign in Thailand which will stimulate demand for the plant's recombined milk. DSI has stationed a nutritionist and a publicity agent there to assist in the program. The formal opening of the new plant is scheduled for this month.

Possibilities for milk recombining plants are being carefully explored. Definite business possibilities exist in several countries. Two major U.S. dairy companies are already engaged in recombining operations overseas, others are interested.

Large stocks of CCC cheddar cheese indicates a need for exploring new foreign markets. One possibility for sales is the blending of U.S. cheese with local cheese. Such processing can be done in most countries where cheese is an acceptable food in the daily diet. Japanese dairy interests are now exploring this possibility. Successful experiments have been made in Costa Rica in the manufacture of queso blanco (white soft cheese) utilizing U.S. nonfat and anhydrous milk fat. This cheese was also blended with U. S. cheddar, which met with local acceptance.

The milk recombining and ice cream manufacturing equipment demonstrated at the U.S. exhibit in last fall's International Trade Fair at Zagreb, Yugoslavia, has been sold to local dairy interests. Hard and soft ice cream, which were so popular with fair visitors, probably will be the chief products manufactured. The milk recombining plant had a daily capacity of 4,000 liters; the ingredient cost is estimated at 7½ cents per liter; cost of recombining machinery, including ice cream equipment, about $35,000, but water purification, installation, and other costs may vary considerably by area.

GRAIN: Exports of U.S. grain and grain products during the 1955-56 marketing season (July-June) totaled 17.4 million long tons grain equivalent, 46.3 percent above previous marketing year. All-time high was 18.3 million

tons in 1951-52. Upward trend is due to new trade programs authorized by Congress, increased dollar earnings in importing countries, increased grain and feed requirements abroad, and growing numbers of livestock. Increased sales for dollars are being encouraged. GATT conferences have resulted in some reductions of import duties and restrictions in Denmark, Canada, Germany and Haiti, others to follow.

Colombia is starting to purchase higher grade wheat. The grain trade reported a recent sale of 11,000 metric tons of 12 percent protein No. 1 Hard Winter Wheat at $71.00 per ton. The Department has been trying for some time to get importing countries to purchase wheat with a known protein content. This is the first time that the Colombians have been specific in this regard. The trend can be credited, to a large degree, to the work of Earl Loveridge, U.S. Agricultural Attache, Colombia; Pierre Albrecht, President, Colombian Bakers Association, and wheat marketing specialists in FAS. Colombians will blend our top grade wheat with local wheat to make a better grade of baking flour.

Hearings on proposed revisions of wheat standards will be held in January, 1957. Most important proposed changes to be offered for consideration are: reduction in minimum moisture requirements for tough wheat; reduction in limits of total foreign material; wheats of other classes; shrunken and broken kernels; change in limits of hard, dark, and vitreous kernels in subclasses of Hard Winter and Yellow Hard Winter Wheat in class Hard Winter Wheat and incorporation of more specific sanitation requirements in standards. Adoption of any one of these proposals should improve the general quality of our export deliveries of wheat. Any changes that are adopted would become effective June 1, 1957,

CORN: Sale of CCC-owned storable corn for export on a bid basis is being resumed. The corn is sold f.o.b. ships, on track, or in store, East Coast or Gulf ports. Corn may be used for any export sale including barter contracts and Title I, PL 480 authorizations. Bids can be made daily at the Chicago CSS Commodity Office.

COTTON: U. S. exports of cotton during the current marketing year are expected to nearly triple the 2.2 million running bales exported in 1955-56. Outlook is based on CCC sales at competitive world prices which, through November, have totaled 6.1 million bales for export in 1956-57; continuation of sales under Title I, PL 480 and Section 402, (ICA); assistance of Ex-Im Bank loans; short stock position in most countries and continued high level mill consumption abroad.

The first promotion campaign for fall and winter cotton fabrics ever held in Japan was highly effective in developing expanded markets for U.S. raw cotton, according to a report by the Japanese Promotion Institute and the National Cotton Council of America. The promotion was held in four of the largest cities in Japan. In Tokyo alone there were 845 exhibits from 60 firms. Comparable participation was reported in the small cities. In addition to Japanese manufacturers of cotton textiles and garments, twelve of the country's leading spinners participated in the promotional work. Japan is one of the countries where the National Cotton Council is cooperating with local industries and this Department in programs designed to expand overseas markets for cotton. Other

market development projects are now operating in France and the Federal Republic of Germany. Additional projects are in process for Austria, Spain, the Netherlands, Italy and Switzerland.

The Department recently conducted fiber and yarn tests which indicated marked superiority of pima S-1 long staple American-Egyptian cotton over Egyptian-Karnak. At the same time it was announced that acreage allotments for U.S. long staple cotton have been increased from 45,305 this year to 89,357 in 1957.

FRUIT: Export subsidies on citrus fruits have been discontinued because of improved export prospects. Attaches in citrus-importing countries take note.

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To strengthen its position in defending the pound Sterling, the U.K. has entered into credit arrangements with the International Monetary Fund for the full amount of its IMF quota, $1.3 billion. Of this total the U.K. plans to use $561.5 million during December, 1956; the rest is a stand-by credit on which the British can draw if needed. These arrangements were made because, under the impact of the Suez crisis, substantial foreign funds have left the United Kingdom in recent months. As a result, British gold and dollar reserves declined in October by $84 million and in November by $279 million, which reduced their official reserves to slightly below $2 billion. The British could obtain additional dollar funds against British holdings of dollar securities, the value of which amounts to $750 million to $1 billion. To further improve their situation, the U.K. has requested a waiver on the interest of slightly over $104 million on U.S. and Canadian loans, which becomes due on December 31st. Provisions for waivers were made in the loan agreements. Congressional action in this matter will be sought early in January.

From the viewpoint of agricultural trade, the IMF credit arrangements are important because Sterling plays such a vital role in world trade and the U. K. has given commitments not to restrict any imports that have been liberalized.

France received an IMF standby credit of $262 million earlier this fall, also in conjunction with the Suez crisis.

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Grain marketing specialists have visited every important world market to encourage sales. Private trade is cooperating in many market development projects. Projects are now underway in Japan and Colombia. A total of 74 proposed projects for grain, grain products and seeds for 27 countries are in planning stage. These projects would call for expenditures of approximately $3,434,270 in foreign currency under Section 104(a), PL 480.

Issued by Foreign Agricultural Service, United States Department of Agriculture, Washington 25, D. C. Distributed only to U.S. Agricultural Attaches, and selected officers in the Department of Agriculture for internal use. Publication about twice a month.